

Message Text

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C O N F I D E N T I A L BONN 05575

LIMDIS

E.O. 11652: GDS
TAGS: PEPR, EFIN, GW, PL
SUBJECT: POLISH REQUEST FOR GERMAN CREDIT

REFS: (A) BONN 20115; (B) WARSAW 8728;
(C) BONN 5052; (D) BONN 3874

1. THE FRG IS QUIETLY CONSIDERING A POLISH REQUEST FOR A "SIZEABLE" FINANCIAL CREDIT. WORKING-LEVEL OFFICIALS IN THE FOREIGN OFFICE PROFESS NOT TO KNOW THE FIGURE INVOLVED BUT A CHANCELLERY SOURCE HAS TOLD US THAT IT IS DM 2.5 BILLION. (PLEASE PROTECT BOTH SOURCE AND FIGURE.)

2. ACCORDING TO OUR FOREIGN OFFICE CONTACTS, THE POLISH REQUEST WAS MADE DURING THE CHANCELLOR'S VISIT IN DECEMBER 1977. AT THAT TIME, THE GERMANS DENIED THAT ANY SUCH REQUEST HAD BEEN MADE (REF B). THE FOREIGN OFFICE IS RETICENT TO DISCUSS THE SUBJECT AND HAS TOLD US ONLY THAT THE POLISH REQUEST IS A SIZEABLE ONE AND THAT THE CHANCELLERY IS CONSIDERING IT. THESE OFFICIALS MAINTAIN THAT THEY KNOW NEITHER THE SUM
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UNDER CONSIDERATION NOR WHAT THE TERMS ARE LIKELY TO BE.

3. A CHANCELLERY SOURCE TOLD US IN CONFIDENCE OF THE DM 2.5 BILLION FIGURE. HE SAID SCHMIDT HAS PERSONALLY BEEN CONSIDERING THE MATTER ALONG WITH SENIOR OFFICIALS AT THE FINANCE AND FOREIGN MINISTRIES. OUR SOURCE BELIEVES SCHMIDT IS INCLINED TO APPROVE A SUBSTANTIAL

CREDIT BUT NOT ONE ON THE ORDER OF THE SUM SOUGHT BY POLAND. HE DECLINED TO SPECULATE ON WHAT THE SUM MIGHT BE OR WHEN THE FRG WOULD REACH A FINAL DECISION ON THE POLISH REQUEST. IT IS NOT CLEAR TO US WHAT, IF ANY, TRADE-OFF THE FRG WILL DEMAND FOR THE CREDIT.

4. THE 1976 FRG-POLISH AGREEMENT PROVIDED FOR A DM 1 BILLION CREDIT AND A DM 1.3 BILLION PAYMENT TO THE POLISH PENSION FUND. THE CREDIT WAS DRAWN DOWN IN 1977 AND THE FINAL PAYMENTS UNDER THE PENSION AGREEMENT WILL BE MADE IN MAY 1978.

5. COMMENT: FRG CONSIDERATION OF THE POLISH CREDIT REQUEST COMES AT A TIME OF INCREASING FRUSTRATION WITH RELATIONS WITH POLAND. FOREIGN OFFICE OFFICIALS, INCLUDING POLITICAL DIRECTOR BLECH, ARE OUTSPOKEN IN EXPRESSING THEIR IRRITATION OVER POLISH HANDLING OF THE PLACE NAME ISSUE (REF B), THE PLATZ CASE (REF C), ETC. FRG-POLISH RELATIONS ARE, HOWEVER, A MATTER OF THE HIGHEST CONCERN HERE, AND THE STRONG EMOTIONAL COMMITMENT OF SCHMIDT AND SPD LEADERS LIKE WEHNER AND BRANDT TO GERMAN-POLISH RECONCILIATION WILL EASILY OVERRIDE THE FRUSTRATION OF WORKING-LEVEL OFFICIALS. GERMAN DESIRE TO SUPPORT GIEREK WILL ALSO PLAY AN IMPORTANT ROLE IN EXPECTED APPROVAL OF THE CREDIT REQUEST.

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ANOTHER FACTOR LIKELY TO INFLUENCE SCHMIDT TOWARD APPROVING A CREDIT IS FRG CONCERN OVER THE FUTURE RATE OF ETHNIC GERMAN EMIGRATION UNDER THE 1976 AGREEMENT WITH POLAND. AS WE HAVE NOTED PREVIOUSLY, THERE IS SOME ANXIETY HERE THAT THE POLES MAY BE LESS INCLINED TO ISSUE VISAS AFTER THE LAST PAYMENTS ARE MADE UNDER THE PENSION AGREEMENT (IN MAY 1978). SCHMIDT MAY SEE THE GRANTING OF A CREDIT AS A TRADE-OFF AGAINST THIS POSSIBILITY.

ON THE OTHER HAND, CDU/CSU OPPOSITION, INCREASING VOTER DISSATISFACTION WITH BONN'S GENEROUS FINANCING OF OSTPOLITIK AND THE FRG'S OWN ECONOMIC SITUATION ARE LIKELY TO LIMIT THE EXTENT OF SCHMIDT'S LARGESS. STOESSEL

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